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Folio:

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Fulfillment in transition

Publishers are asking: Is there an emerging trend toward consolidation of fulfillment companies, and if so, is it necessarily bad news? Will bigger companies offer more diversified services? Faster and more efficient data transmission? And what will happen to costs? FOLIO: offers a look at this vital aspect of the publishing industry. **116**

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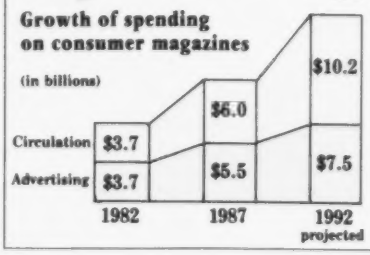

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'Think desktop,' says designer Roger Black 69

ROBERT A. CARDIN

While "smock and beret" types may scorn the rise of computer-aided design, Roger Black, designer of *Newsweek* and *Smart*, embraces desktop publishing technology for blurring the line between graphics and editorial.

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A magazine publishing plan makes a directed team out of managers who may have been unwittingly working in opposition to one another.

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By implementing some or all of the suggestions outlined in this article, you should be able to improve your list rental profits—no matter what the size of your list.

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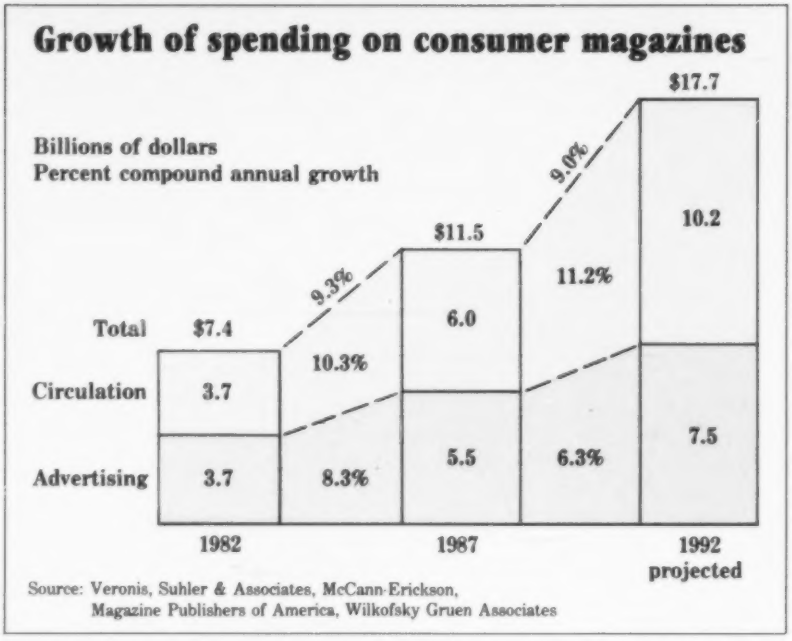
ABP ABC MPA

Forecast: Circulation dollars continue climb

On the business side, older, larger titles will lose ground to upstart categories



***Growth of circulation revenues** will be nearly double that of ad dollars by 1992, say Veronis, Suhler & Associates.*

New York City—Overall growth and profitability in the business press may not look like a "rip snorter" during the next five years, but some categories are going to be hot, observes John Suhler, president of Veronis, Suhler & Associates, an investment banking and media brokerage firm.

The company's annual five-year forecast notes that advertising and circulation spending in the business press will grow 5.9 percent anually during the next five years—but this figure mainly reflects performance of larger, older titles that cover declining industrial businesses. Upstart fields—media, electronics, computers and health care—are enjoying double-digit growth.

On the consumer side, the outlook for advertising spending is not as promising as circulation spending. Annual advertising growth will be 6.3 percent, down from 8.3 percent between 1982 and 1987. Circulation dollars, meanwhile, will grow 11.2 percent annually. Total advertising expenditures will add up to $7.5 billion in 1992; circulation spending will be $10.2 billion.

Spending up; number of titles down

In total, business press spending will reach $3.7 billion in 1992, with advertising accounting for $3.3 billion. Last year, spending was $2.8 billion, up from $2.1 billion in 1982. Growth in hot business categories has kept overall dollar growth climbing, even as the number of business titles has declined: down to 2,650 in 1987 after peaking at 2,775 in 1984.

Business information services will be the hottest segment in the media industry, growing 12 percent annually and reaching $11.6 billion in spending by 1992. The business press, however, won't suffer, according to the report: "Future need for information should translate into increased demand for periodicals that digest and analyze developments in a given industry."

The ad dollar slowdown in consumer magazines results from losses in top spending categories: liquor, cigarettes and computers. In 1984 these three categories accounted for 20 percent of total consumer advertising.

Other categories—soap, pet food, entertainment and real estate—were up nearly 28 percent between 1984 and 1986, according to the report.

The changing ad scenario gives circulation dollars a more important role. Last year, circulation accounted for 52 percent of all magazine spending, up from 44.5 percent in 1977, and that percentage will grow even higher. Meanwhile, total ad expenditure was down to 48 percent last year, from 55.5 percent 10 years ago.

"The circulation revenue stream will remain strong," says Suhler, "not just because of demand, but because publishers will be pushing price increases in the next five years to cover postal rate hikes, inflation and paper price increases."

Meanwhile, the number of consumer magazines grew to 1,707 in 1987, up from 1,018 a decade earlier. The fastest growing categories include automotive; computers; crafts, games and hobbies; city and regional; travel; and women's.

In merger activity, Veronis and Suhler believe that some large U.S. consumer magazine publishers will begin concentrating on start-ups during the next five years. The high prices of properties are renewing interest in launches, says Veronis.

Growth in special interest titles, he adds, is expected to continue, and publishers will still be willing to pay top dollar for magazines that are good "synergistic fits" with their own titles.

No slowdown in European interest

European companies will continue to shop for U.S. business magazines for two reasons: the weak dollar and reduced cultural barriers in the business field. A foreign business publisher, Suhler notes, can more easily translate its expertise in an industry, without worrying about cultural nuances.

European merger and acquisition activity will also heat up in coming years. Current regulations make it cumbersome for European companies to buy neighboring properties. These restrictions will be lifted in 1992. Already, European publishing companies are buying print and broadcasting operations in other countries, Veronis and Suhler note.—*J.M.A.*

New DPP target: Department stores

Do magazines help Kmart's bottom line?

New York City—Department stores may not be big carriers of magazines these days, but Magazine Publishers of America (MPA) is out to change that.

With the third phase of the Direct Product Profitability (DPP) study, the MPA and the Council of Periodical Distributors Association (CPDA) will study magazine profitability in Kmart, Wal-Mart and other department stores. Although not a common outlet for magazines, the stores have potential to expand magazine presence, says David Lee, senior vice president, MPA.

The average department store has 100,000 square feet of space, while the average supermarket has less than half that space, he notes. If the study shows magazines are profitable, the department stores may significantly increase magazine displays. Many of the stores already sell books, a related item.

The third phase of the DPP project will cost $285,000, with MPA and CPDA splitting that cost. The two associations will once again retain accounting firm Touche Ross & Co. to conduct the research.

The two prior DPP studies showed that magazines were the fourth most profitable item in convenience stores and third most profitable in supermarkets.

The low cost of handling by store personnel is the major reason. Magazines, unlike other merchandise, are handled by their own system of wholesalers.

Whether these stores have increased magazine displays, however, is still unknown. By mid summer, teams of publishers, wholesalers, distributors and Touche Ross representatives had made 25 presentations on the study to retailers and were planning 15 more, says Lee. In addition, other wholesaler and magazine-related associations, such as the Magazine and Paperback Marketing Institute, have been publicizing the findings.

A follow-up research study, slated for this fall, will show if the teams have been effective in gaining more space for magazine displays in convenience stores and supermarkets.

The MPA-CPDA presentations have been expensive to conduct, adds Lee, because of the Touche Ross participation. On the other hand, the accounting firm's presence gives the study more clout, he explains.—*J.M.A.*

JEAN MARIE ANGELO

***MPA hopes department stores** will beef up magazine displays—but it's still unknown whether other stores have acted on past DPP studies.*

Paper use to rise 4.6% for 1988

Publishers looking to lighter weight paper, high reliance on imports, MPA survey says

New York City—In a year of rising paper prices, higher postage costs and tight paper supply, publishers' paper usage habits are beginning to change. A recent survey shows that some publishers are using lighter weight paper and narrower paper rolls, and are continuing to keep large inventories on hand.

At the same time, publishers aren't planning a big paper demand next year, given dim prospects for significantly more ad pages and higher circulation.

This year's paper use will rise 4.6 percent over 1987's, according to 60

Publishers shift to lower basis weights
(% of total tonnage usage)

Basis weight	1987 actual	1988 projected	1989 projected
32 lbs. and below	3.1%	3.3%	3.4%
34	29.8	31.6	33.3
36	14.5	13.3	13.3
38	5.1	5.1	5.1
40	22.3	22.4	20.6
45	4.3	3.4	3.8
50	8.9	8.9	8.9
60 lbs. and above	12.1	11.9	11.6

Source: Magazine Publishers of America

***Use of 34-lb. paper** will continue to grow at the expense of heavier weights. One-third of the publishers surveyed will use the lighter paper in 1989.*

publishing companies responding to the Magazine Publishers of America's (MPA) annual paper survey. That's an optimistic revision of the 3.5 percent expansion anticipated by 84 respondents to the 1987 MPA survey. But publishers now anticipate paper usage rising only 3.5 percent in 1989.

The study also indicates a trend to lower basis-weight paper, with 34-lb. stock making the largest gains. Use of that paper is expected to rise to 31.6 percent of total tonnage this year, and to 33.3 percent in 1989; it accounted for 29.8 percent of tonnage last year. The percentage of publishers using 34-lb. stock is not expected to change; instead, publishers appear to be consolidating the number of different basis weights they use.

Fewer publishers, however, will be using heavier stock. Each of the higher basis-weight categories, including 40-lb. paper—used by 60 percent of publishers—is expected to drop slightly or hold its share through 1989.

Surge in uncoated stock

Coated groundwood continues to be the paper stock of choice, and will account for about 68 percent of the total tonnage used by the publishers this year. Coated groundwood tonnage is expected to grow 4.3 percent in 1989.

Uncoated groundwood—including supercalendered and newsprint—is the fastest growing paper grade this year, with tonnage expected to increase by 9.2 percent. That growth rate, however, is expected to drop off considerably, to about 2.5 percent, for 1989. Coated free sheet, the big growth grade of the last annual survey, is expected to increase only 3.2 percent this year and drop to 1.2 percent growth next year. Each type of paper accounts for about 14 percent of total tonnage.

Publishers expect to finish the year with a heavier reliance on imported papers. However, while imported tonnage will be up 14.1 percent this year, use of imports will hold steady in 1989. Imported paper will account for 3.5 percent of total tonnage in 1988.

Publishers' paper inventories are also responding to rising prices and stricter allocations from mills. One-third of publishers reported inventory levels of one to 30 days as of March 31, 1988; nearly 42 percent reported 31 to 60 days of supply on hand. Last year, 19 percent had one to 30 day inventory levels and 47 percent had 31 to 60 days of supply on hand.

A trend to smaller trim sizes led 13.3 percent of publishers to switch to narrower roll widths last year. Another 15 percent plan to switch this year; 1.7 percent will change to a wider roll.

In addition, publishers are moving away from gravure printing and increasing their reliance on offset. Last year, 73.7 percent of magazine paper tonnage was printed on offset presses; that figure is expected to rise to 75.9 percent for 1989. The percentage of gravure-printed paper is expected to drop to 24.1 percent.—*P.F.*

Coated groundwood dominates

Paper	1987 actual	1988 projected	% change	1989 projected	% change
Coated groundwood	916,509	949,455	+3.6%	990,270	+4.3%
Coated free sheet	184,744	190,744	+3.2	192,985	+1.2
Uncoated groundwood	180,205	196,768	+9.2	201,712	+2.5
Uncoated free sheet	15,405	15,955	+3.6	16,948	+6.2
Imports	43,532	49,655	+14.1	49,996	+0.7
Total tonnage	1,340,395	1,402,577	+4.6	1,451,911	+3.5

Source: Magazine Publishers of America

***While coated groundwood** continues to be the most popular paper among consumer magazines, uncoated groundwood and imported papers are expected to make significant gains.*

Will new ARF-ABP study quiet the skeptics?

Expanded study on ad effectiveness will be more relevant to advertisers, proponents say

New York City—A new study of the effectiveness of business advertising, to be launched in January by the Association of Business Publishers (ABP) and the Advertising Research Council (ARF), intends to quiet skeptics who complained that the first ARF-ABP study was irrelevant to many advertisers.

The new study also marks the start of an ongoing effort by the two groups to measure advertising effectiveness.

The first study, presented in spring 1987, concluded that an increase in business-to-business advertising leads directly to more product sales and higher profits. But the study focused on only four newly introduced products, ranging in price from $10 to $10,000.

The new study will employ the same research model, but will include established products, products in competitive markets, and service products. Six sub-studies will be conducted during a one-year period.

Some advertisers contended that the advertised products in the initial study, including a portable safety product, lab equipment and a trucking package, had nothing to do with their industries.

"Many people were not willing to take the leap that if [advertising] works for these products, it will also work for them," says Terilyn McGovern, vice president, ABP. "Now, if media buyers say, 'But we have this type of client,'

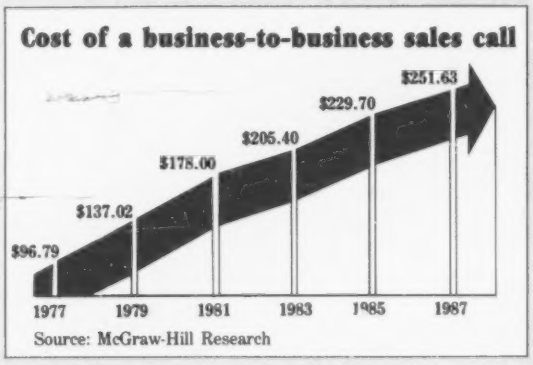
Cost of sales call surpasses $250

The average cost of a sales call now tops $250, according to McGraw-Hill Research. This figure is frequently used by sales representatives to promote the cost efficiency of magazine advertising.

The cost of a sales call rose 160 percent during the past 10 years, from $96.79 in 1977 to $251.63 in 1987. Advertising costs, by contrast, grew 88 percent, and the consumer price index rose 87 percent during the decade.

Moreover, while inflation averaged 2.8 percent in yearly growth during the 10-year period, the cost of sales calls increased at a 4.8 percent annual rate.

Face-to-face sales costs will also escalate this year, according to a majority of 797 sales managers surveyed for the study. Eleven percent anticipate a decline, and 27 percent expect costs to remain the same.



Most buyers follow up on business ads

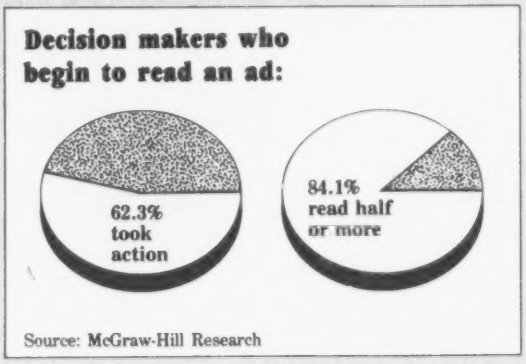
Most purchase decision makers who read an ad follow up on that ad, according to a recent report from McGraw-Hill Research.

More than 62 percent of buyers who read an ad in a business publication either bought the product or service, asked for more information, recommended use of the product or filed the ad for future reference, the study states.

Moreover, the study found that 84 percent of decision makers who begin to read an ad, read half the ad or more.

"The report points up that advertising helps presell buyers," says David P. Forsyth, vice president and head of McGraw-Hill Research. "This is a major advantage, as sales call costs continue to rise."

The analysis was based on 94 studies involving 4,365 ads.



Newspapers to lobby for area business magazines

NNA can marshal 5,000 news editors in legislative battles

Chicago—To battle common problems, the National Newspaper Association (NNA) has agreed to become the lobbying organization for the Association of Area Business Publications (AABP), says David Simonson, executive vice president of NNA.

NNA monitors "every bill and amendment offered by either house of Congress that could have a bottom-line or First Amendment impact on publications," says Simonson. The group, he adds, can marshal considerable grassroots support from its 5,000 (mostly community) newspaper members around the country.

The new relationship should benefit both groups, says Lewis M. Conn, executive director of AABP. "We will convey NNA's information to our [92] members, who can add to NNA's clout by lobbying on the grassroots level." AABP members can also call upon NNA's legal counsel for assistance on postal matters. The area business periodicals, however, will have no official status in NNA. AABP will pay an as yet undetermined amount to NNA.

AABP reserves the right to waive participation in issues that apply only to NNA, notes Conn. "Most issues apply to us, but we have to work out an agenda for our mutual goals." Conn says the relationship will be re-evaluated after one year.

Some of NNA's recent positions on issues include the following:

- Favoring the maintenance of tax depreciation for subscription lists.
- Opposing the elimination of advertisers' tax deductions for ad expenses. NNA and others helped to defeat this proposal, says Simonson.
- Opposing state taxes on advertising. Both groups canceled conventions in Florida during that state's battle against a 5 percent advertising tax.
- Opposing a ban on tobacco advertising.
- Opposing postal increases. NNA, claims Simonson, helped limit the rate increase to 3.2 percent for presorted mail distributed within a county—far below increases for other types of mail.□

from being employed at any level of government or by any stock exchange.

Under a new proposal, the application form for Congressional press credentials will give more space to the disclosure rule and include explanations of its importance. The proposed change applies only to magazines.□

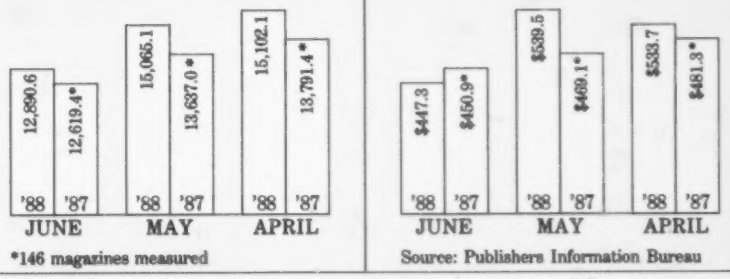
Donnelley joins forces with Kodak

Chicago—Printer R. R. Donnelley & Sons Co. has expanded its ability to customize magazines through a new agreement with Eastman Kodak.

The two companies have agreed to develop, manufacture and market computerized bindery line imaging and gathering systems. The systems are used to gather and bind selected pages within a publication, and to ink-jet personalized messages.

The agreement combines Donnelley's Selectronic bindery process with Kodak's Diconix Admark ink-jet printers. Donnelley provides the bindery controller technology for the system, which Kodak will manufacture, market, install and service.□

Revenues and pages drop in June



***Although June ad page totals** appear greater than those of June 1987, pages were actually off 1.5 percent, given that PIB measured 10 fewer magazines last June. Revenues were down by 1.8 percent, according to Publishers Information Bureau, which tracks 156 magazines.*

38% of consumers don't mind cold calls

Morganville, N.J.—Thirty-eight percent of consumers polled recently say they "don't really mind" receiving telemarketing calls, whereas 60 percent object to them, according to a survey conducted by Schlenker Research Services.

Younger consumers are found more tolerant of cold calls. About 47 percent of consumers under age 35 say they don't mind the calls; 50 percent object.

Moreover, 37 percent of those polled say laws or regulations on outbound telemarketing are not necessary. About 21 percent feel laws should be passed to monitor outbound telemarketing; 33 percent say the telemarketing industry should set its own regulations; 9 percent have no opinion.

About 600 consumers were interviewed for the survey.□

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